ANNUAL BUDGET OF-

GAMAGARA
Local Municipality(NC 453)

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK
2015/16 – 2017/18

ANNUAL BUDGET OF

GAMAGARA

2015/16 TO 2017/18

MEDIUM TERM REVENUE AND

EXPENDITURE FORECASTS

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Table of Contents

Part 1 – Annual Budget

1.1 Mayor's Report

BUDGET SPEECH

2015/2016

Delivered by

MAYOR OF GAMAGARA LOCAL MUNICIPALITY
Cllr. DINEO PERTUNIA MOYO

28 MAY 2015 – GAMAGARA COUNCIL CHAMBERS

10:00am

Honourable Councillors

Chairpersons of various portfolio committees

The Municipal Manager: Mr Thusoeng Clement Itumeleng

Directors of all our Departments in the Municipality and the entire staff component

Our Dedicated Ward Committees Members

Leaders of Political Parties

Members of Public

Members of Media

Ladies and Gentlemen

It is through the blessing and mercy of the Lord that we are all gathered here today for the tabling of the 2015/16 budget for Gamagara Local Municipality. This budget address two visions, firstly our municipality vision of "a prosperous community with a futuristic economy", secondly our government's motto of "together we can do more" and together moving South Africa forward.

We are all aware of the challenges facing our country and local government in particular. They are normally referred to as the triple challenges of poverty, unemployment and inequality. We will be naive to think that because we are located in an economically active part of the province, we are immune to these challenges. The omit growth of the area actually lay bare the inequality. The splendour and shining lights of Kathu are an indictment on the uncleanliness of Sesheng/ Mapoteng and the informal settlements of Olifantshoek and Dibeng.

Honourable councillors and all in attendance, I may sound a prophet of doom by stating this reality, but this reality informs our budget and as such should be spoken without fear or favour.

The recent xenophobic attacks within the country have been addressed by the President and I won't dwell much on them suffice to say they did not happen in our area. We intend to engage with foreign business owners to ensure that their businesses abide by all legislations governing business in South Africa.

This budget is a response to the aspirations of the residents of Gamagara, with special attention to the poor, but also ensuring support for business growth. We can at the moment say it proudly that we are the commercial hub of John Taolo Gaetsewe.
Ladies and gentlemen, we are the future city of this region. Our target is to be rated in terms of local government as a secondary city by 2025. With all hands on deck, political oversight, visionary administration and commitment to excellence, this is all possible.

Back to Basics Concept

On the 18th September 2014 , the President of the Republic of South Africa, his Excellency , Honourable President Jacob Zuma has launched the "Back to Basics Program" in order to improve the performance of local government and to regain public confidence. As municipalities we are obliged to submit report on monthly basis to be monitored by the Minister of COGTA.

This is just but one of the key and fundamental initiative by the ANC led Government to take our people's issue quite serious and improve their lives by

making a meaningful contribution. There is a perception by some members of public on how the municipalities are being administered and so on. I thus, wish to confirm that as this municipality we are trying our utmost best with the limited resources at our disposal to deliver better, efficient and quality services to our people.

Therefore, in preparing this budget, we have been influenced by the five pillars of Back to Basics namely:

. Putting people first

. Delivering municipal services to the right quality and standard

. Good governance and sound administration

. Sound financial management and accounting

. Building institution and administrative capabilities

Though we have not formulated service level standards, we can proudly say that all our infrastructure projects have been at providing a higher level of service. The homework to formulate service level standards shall be attended to within this year to ensure that when we work on our next budget, the standards are clearly set.

As I have indicated above, the growth of our municipality is exponential and needs the participation of all. We have in this budget year, budgeted for both the Local Economic Development Manager and Manager Town Planning positions. The intention with this is to ensure that we drive the economic and town planning aspects of our municipality. Though I mentioned with pride, the growth of the municipality, we should honestly acknowledge that it has been private sector driven. We want to see government on the steering wheel.

Honourable councillors and Ladies and gentlemen, our municipality have a number of challenges, which we believe needs proper attention. Some of the key ones include the expensive waste service wherein we transport our waste 27 km away to Deben. Our tariffs have not been reflective of this. We are using other revenue generating to sustain this service. A new way of thinking need to be applied here. The situation cannot continue like this.

Motsamaisi le batsamaisi ba mafapha, lo tshwanetse go tsenya ditlhogo go tla ka tharabololo! "Ons moet almal saam werk en saam trek "

We also spent huge amounts on overtime. Though we understand the importance as it relates to service delivery, proper and efficient controls needs to be put in place. The challenge of old fleet is also a headache. Sometimes when we question the slowness of attention to service delivery breakdowns, the response is that there are no vehicles or they are broken. We have been able to purchase some bigger fleet like Grader, Trucks and TLB and we hope this will positively improve our service delivery for the coming year.

Land Issue

We have been confronted also with an expensive land grab situation in Sesheng/Mapoteng. The municipality has already spent thousands of rand in litigation. We are hoping for finality on this matter on the 3rd of June when the matter is heard at the Northern Cape High Court in Kimberley. We must not tolerate lawlessness in our towns regardless of any circumstances, no one is above the law.

In terms of the land use to address some of the social illness in our society the Council will be selling or disposing a piece of land to churches especially in Mapoteng Ward 5, at a discounted rate in line with the legislation before the end of the current financial year. As I speak today, there is an item that council has discussed and resolved to sell land to various churches in ward 5.

Engagement with Stakeholders and Public Participation, Commitments of Municipal Officials

Over the years as the Gamagara local Municipality we have always pride ourselves with the relationships we had with our stakeholders particularly the mines around us. As the custodian of the people of Gamagara we had always knew that wherever we need help or any assistance, the mining houses were there to assist. Today we are gathered here mindful with the challenges faced by these mines in terms of the prize for their commodity – Iron Ore. Since the beginning of the current financial year we saw the iron ore prizes dropping drastically and we are thankful for these mines that to date we have never heard of any job losses or massive retrenchments that could've impacted negatively to our people. However, there were some serious challenges that we also faced between ourselves and the mine due to property rate and this issue is still not yet resolved.

Indeed this has impacted negatively in the implementation of the projects as most of our budget relied on these funds. We are therefore hopeful that we will

soon arrive at an amicable solution to put all this behind us as the Council and the Mines.

Through our public participation we have also engaged with many structures including business in order for us to steer this ship to the right direction. In the process there were number of unconstitutional forums that we had engagements with regardless of their legitimacy or otherwise.

As council we have always placed the principle of batho-pele at the forefront to ensure that we create an accountable institution of government that is responsible and professional. It is important also to appreciate and commend the work done by the Ward Committee members in all wards for their loyalty and commitment to serve our people. These are men and women who from time to time liaised with our councillors and officials to relate any of the service delivery challenge in order for us to respond speedily to our people’s needs.

Ladies and Gentlemen, allow me also to once again convey on behalf of the Gamagara Local Municipality our heartfelt condolences to all families of ward committee members who lost their beloved ones during their term of office, we thank GOD for their lives and salute them for the work done not forgetting our colleague, the late Councillor Faith Van Den Heever,   may their dearest souls rest or find peace and rise in glory.

This was also a very tough year for all of us including officials as led by the Municipal Manager and I want to extend my word of gratitude to them as well for working so hard towards a clean audit and delivered services to our people. We

have received qualified audit opinion consistently for the past two years from a disclaimer of the previous year. This signifies that soon we will be given a clean and positive audit opinion. For that we are grateful and we want to say thank you to all our officials for their commitment and dedication regardless of the challenging environment they find themselves in.

Unemployment and Job Creation

Honourable councillors, as you all know our municipality is still one of the most or fastest growing municipalities in the country, the 21.22% of the working age people between 15-64 years of age cannot be consistence. On daily basis there are men and women migrating to this side of the world looking for a better life. The development in our area has attracted many people including our fellow African Brothers from other parts of the continent. As council through relevant offices we had attempted to provide opportunities to our people but these were never enough as a result of the influx.

The two major solar plants constructed in one of our towns including the bigger construction work at the mines and property development contributed positively on the reduction of poverty and unemployment. I remain optimistic that together with our social partners we will be able to create more jobs and job opportunities.

Infrastructure Challenges

The municipality has been experiencing a massive growth over the years with most private developers and the expansions of the mines. This has translated to a serious challenge of water and electricity infrastructure. As we speak we are unable to connect some of our areas especially in our townships due to capacity

constraints on electricity. This has insisted that millions of rand to be paid to Eskom as a deposit to allow us in the future to connect households in the new areas.

Water has also became one of the scarce resources with some of our boreholes drying up and this has impacted negatively to our consumers. The municipality is relying mainly from the mine and Sedibeng Water Supply for the provision of water in our municipal areas.

Eskom load shedding; the power utility was also challenged by serious power supplies to all South Africans and big businesses since late last year. The Eskom problems are some of the realities that we must face as South African without necessarily pointing fingers to one another or use it for political point scoring. As government we believe strongly that the intervention made by the utility will somehow balance the electricity supply in the country. It is therefore for these reasons that I thank you the people of Gamagara for understanding and adjusting quite comfortably with these challenges. We have been putting all the communicated Eskom schedules for load shedding at various points and pasting in our social media accounts just to inform our people.

Free Basic Services

As mandated by pieces of legislations in local government the Gamagara local Municipality managed to provide free basic services (water and electricity) to all our Eight Hundred and Fifty (850) registered indigents. In the very same year the Council increase the Indigent Funeral Subsidy from R 1 300.00 to R 3 000.00 per funeral. These are some of the achievements by this council despite some challenges we were confronted with.

We will continue to provide these free basic services and for the coming financial year we will certainly reach out to many people to register as indigents those who qualify.

Municipal Demarcation Board – New ward delimitation

In our earliest statement we confirmed that our municipality is growing and that factor was justified by the increase of the wards in our municipality by the MDB. The municipality is currently having 5 municipal wards and by next year the municipality will be having seven (7) wards towards the local government elections. In deed this is a true reflection of the status of our municipality that for sure came with some challenges.

Dingleton Relocation

The relocation of Dingleton was another massive and strenuous exercise that we over saw from its inception to the first relocated group of households from White City section. This program is championed by the provincial government and so far it appears that the initial principle that was to apply to ensure that the relocation will be a better-off benefit for all the residents and the government is engaging Anglo American on a one-on-one basis to find amicable solution to the most critical outstanding issues.

As we all know the fundamental issues that people or residents of Dingleton were complaining about were the following:

- The renters , people or residents who have been staying at the back yards flats

- Low Cost Housing project that was suspended for many years as a result of possible relocation
- Residential land for the younger generation that is currently not owning property in the area
- As well as other cultural and heritage of the area itself

Today ladies and gentlemen I am pleased to announce that as the municipality we played our part as we have already signed exchange agreements with all our property including the 49 to 50 old municipal houses that was rented to the people of Dingleton for many years. These household were given those houses as part of our government's program to encourage home ownership particularly amongst the working class. These are the most beautiful and quality houses with a high standard that we gave to our people as guided by one Clause in the Freedom Charter that there shall be ***"Houses, security and conform for everyone***".

Over and above, we will be also getting a new state of the art municipal building adjacent to our current main building, together with the modernized Town Hall, the Library and the Youth Centre as a replacement for our property we owned in Dingleton. The other properties belonging to the municipality are still under discussion and we hope that it will be concluded before end of this year.

There is also a progress with regard to other properties belonging to the individual households and sector departments. The construction of the Dingleton Primary School has already started in Kathu just next to Kathu CURRO School. We however still sympathise with our people who have not yet signed the exchange

or relocation agreement and we hope that they will both together with Kumba arrive at a decision that will satisfy all parties.

I want to applaud the Dingleton Relocation Working Group (RWG) for their commitment and interests shown or displayed at all material times to defend the interests of the broader Dingleton Community including their Community Lawyer who was forever available and ready to serve as well as executing the mandate of the community.

In deed the work is in progress comrades and compatriots!!!

OVERVIEW OF THE 2015/2016 BUDGET

Key Assumptions Underpinning the Budget

There are quite numbers of assumptions that we took to account or considered when drafting this budget that we will be tabling here today and those are as follows:

- Population growth in our towns , the Stats SA report indicated that our population has grown with 5.84% annually
- Infrastructural needs as informed by study conducted
- Basic needs of our people and
- The development in our areas especially Kathu
- Technology etc.

Therefore, we are legally obligated to table the Capital and Operating Budget for 2015/2016 - 2017/18 in terms of the MFMA. Despite our challenges, we believe that the budget tabled here is realistic and funded when all efforts are put in place to collect our revenue and debts.

Capital budget

The capital budget for 2015/16 is capped at Three Hundred and Fifty Million Rand (350 Million)

Operating budget

Operating Revenue, amounts to Six Hundred and Seventy One Million Rand (671 Million). This mainly generated from property rates and service charges. Revenue generated from the rates and services charges makes up 92 percent of the revenue and forms a significant percentage of the revenue basket. Our property rates revenue is appropriated at Four Hundred and Nineteen Million Rand (419 Million) and this due to the increase in the mining valuation. We are however cognisance of the ongoing dispute between the municipality and the mines concerning the payments of the property rates. Kumba mine has since applied to the MEC of COGHSTA for condonation from the Municipal Property Rates Act as they argued that they valuation is wrong. The application has been dismissed by the MEC which implies that both Khumani and Kumba mines should pay their dues. The implication on this dispute is that if they don't pay all projects funded from the property rates won't be implemented and we will need to adjust our budget downwards during the adjustment budget period.

The operating expenditure amount to Four Hundred and Sixty Million Rand (**460 Million)**

Honourable councillors, Ladies and Gentlemen, we have taken note of the assessment done by the Provincial Treasury on our budget. We welcome the treasury inputs and believe that they add value in improving our budget, thus ensuring that we produce a realistic and credible budget. We will co-operate with Provincial Treasury to ensure that our budget is fully compliant with all the requirements of the legislation.

Infrastructure investment

Infrastructure investment focus mainly on bulk services. Our main projects for the year include amongst others:

- Bulk electricity to Olifantshoek funded at R20 million for this year with a total of R105 million over the MTREF period
- R20 million for Kathu West Substation
- R30 million for the Olifantshoek reservoir funded by Khumani Mine

Tariffs

In order to have a funded budget, the following tariff increases have been set. There has been average increment of 6% on services like; sanitation, water, property rates, and refuse removal. The electricity tariff was increased slightly by 12.2% for the coming financial year.

Finally, I would like to express my sincere gratitude to all who played a role in producing this budget. Our communities, for being there all the time when we call community meetings. We are one of the few municipalities who call their meetings in the evenings but attendance is always satisfactory. A big thank you goes to our councillors for participating and being available at all times. The administration in general led by the Municipal Manager, your commitment to changing the lives of the people of Gamagara is appreciated.

As we prepare ourselves to celebrate the 60th Anniversary of the Freedom Charter let me remind all of us to emulate our late stalwarts, heroes and heroines, the likes of the late Mama Segomotsi Ruth Mompati, Cde. Collins Chabane, President Mandela and many other unsung great revolutionaries and freedom fighters to be selfless and discipline at all material times.

May God Bless Gamagara, May God Bless You All.

Thank you very Much!!

Ke a leboga!!!

Baie Dankie!!!

Obrigado!!

1.2 Council Resolutions

On 28 May 2015 the Council of Gamagara Local Municipality met in the Council Chambers for the tabling of the final annual budget of the municipality for the financial year 2015/16.

The Council approves and adopts the following resolutions:

1. The Council of Gamagara Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

   1.1. The final annual budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:
   - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table A2;
   - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table A3;
   - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table A4; and
   - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5.

   1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
   - 1.2.1. Budgeted Financial Position as contained in Table A6;
   - 1.2.2. Budgeted Cash Flows as contained in Table A7;
   - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table A8;
   - 1.2.4. Asset management as contained in Table A9; and
   - 1.2.5. Basic service delivery measurement as contained in Table A10.

2. The Council of Gamagara Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000 as amended) approves and adopts with effect from 1 July 2015:
   - 2.1. the tariffs for property rates – as set out in Annexure A,
   - 2.2. the tariffs for electricity supply – as set out in Annexure A
   - 2.3. the tariffs for the supply of water – as set out in Annexure A
   - 2.4. the tariffs for sanitation services – as set out in Annexure A

2.5. the tariffs for solid waste services – as set out in Annexure A

3. The Council of Gamagara Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2015 the tariffs for other services, as set out in Annexure A.

4. To give proper effect to the municipality's annual budget, the Council of Gamagara Local Municipality approves:
   4.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates, bulk services and gains on land disposal to ensure that all capital reserves and provisions, unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
5. That council approves the final bulk services policy (Annexure B) for implementation from 01 July 2015
6. That council approves the budgeted related policies to allow for the effective implementation of the 2015/15 annual budget
7. That the assessment of the annual budget and MTREF 2015/16 from Provincial Treasury be noted.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. National Treasury's MFMA Circular No. 51, 54, 70, 72, 74 and 75 were used to guide the compilation of the 2015/16 MTREF.

The main challenges experienced during the compilation of the 2015/16 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and the expanding town which requires upgrading of most of our bulk services;
- The increased cost of bulk water and electricity (due to tariff increases from Sedibeng Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;
- Affordability of capital projects – Capital projects had to be reduced as a results of huge operational expenditure commitments, i.e. Bulk purchases, critical vacancies, depreciation, etc.
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2015/16 MTREF:

- The 2014/15 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2015/16 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and Electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2015/16 MTREF

R thousand	Adjustment Budget 2014/15	Budget Year 2015/16		Budget Year +1 2016/17		Budget Year +2 2017/18	
Total Operating Revenue	476 577	671 141	29%	707 927	5%	731 009	3%
Total Operating Expenditure	371 267	466 146	20%	490 667	5%	520 850	6%
Surplus/(Deficit) for the year	105 309	204 151	48%	217 260	6%	210 159	(3%)
Total Capital Expenditure	175 191	350 161	50%	269 421	(30%)	277 764	(3%)

Total operating revenue has grown by twenty nine per cent (29%) or R194 million for the 2015/16 financial year when compared to the 2014/15 Adjustments Budget. For the two outer years, operational revenue will increase by five (5%) and three (3%) per cent respectively, equating to a total revenue growth of R254 million over the MTREF when compared to the 2014/15 financial year.

Total operating expenditure for the 2015/16 financial year has been appropriated at R466 million and translates into a budgeted surplus of R204 million. When compared to the 2014/15 Adjustments Budget, operational expenditure has grown by twenty per cent (20%) in the 2015/16 budget and by 5 and 6 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years decreases to R270 million in the 2016/17 budget year and increases to R278 million in 2017/18. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R350 million for 2015/16 is 50 per cent more when compared to the 2014/15 Adjustment Budget. The increase is due to the rapid growth of Gamagara towns in general which necessitate the need for bulk services upgrade. The capital programme decreases to R270 million in 2016/17 and increases to R278 million in the 2017/18 financial year. A substantial portion of the capital budget will be funded from the surplus from internally generated funds over the MTREF with anticipated surplus of R204 million in 2015/16 financial year. Internally generated funds will contribute 58 per cent of capital expenditure in the budget year 2015/16 when government grants and public contributions are excluded. This demonstrate Gamagara Municipality's sustainability as a going concern as we are less reliant on grants and subsidies from government.

1.4 Operating Revenue Framework

For Gamagara to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues. We will also need to come up with smart revenue collection methods, i.e. smart/prepaid meters and strong economic development policies that are cost reflective, i.e. bulk services, in order to keep up with the growth of the town.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2015/16 MTREF (classified by main revenue source):

NC453 Gamagara - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source											
Property rates	2	17 274	20 321	23 623	396 608	177 803	177 803	177 803	419 611	442 689	466 152
Service charges - electricity revenue	2	54 501	93 027	89 821	115 695	132 695	132 695	132 695	119 038	125 585	132 241
Service charges - water revenue	2	25 544	30 467	46 003	51 851	68 851	68 851	68 851	48 394	51 056	53 762
Service charges - sanitation revenue	2	7 571	16 697	11 435	22 341	39 341	39 341	39 341	17 731	18 706	19 697
Service charges - refuse revenue	2	–	11 629	13 700	14 893	14 893	14 893	14 893	15 756	16 623	17 504
Service charges - other		11 532	(4 344)	48 690	–				–	–	–
Rental of facilities and equipment		2 264	1 594	630	715	715	715	715	685	722	761
Interest earned - external investments		344	137	446	500	500	500	500	529	558	588
Fines		100	368	775	314	314	314	314	324	341	360
Licences and permits		648	848	1 055	872	872	872	872	919	969	1 021
Agency services		1 913	2 036	2 476	2 919	2 919	2 919	2 919	2 304	2 430	2 559
Transfers recognised - operational		31 849	43 363	86 574	25 569	33 203	33 203	33 203	27 256	28 953	32 371
Other revenue	2	4 732	3 338	5 979	2 432	4 470	4 470	4 470	3 596	3 794	3 995
Gains on disposal of PPE		–	2 971	–	–	–	–	–	15 000	15 500	–
Total Revenue (excluding capital transfers and contributions)		158 272	222 450	331 207	634 709	476 577	476 577	476 577	671 141	707 927	731 009

Revenue generated from rates and services charges makes up 92 percent of the revenue and increased by 30% and forms a significant percentage of the revenue basket for the Municipality mainly due to the increase in the property valuation from R3 billion to R27 billion in the 2014/15 financial year. This growth can be mainly attributed to the property rates and the increased

share that the sale of Electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk Electricity

The drop in the rates revenue in the adjustments budget 2014/15 was due to a late objection by Kumba and Khumani Mine which has now been reinstated to its potential status as per the valuation roll in the 2015/16 financial year and medium term.

Kumba mine has since applied to the MEC of COGHSTA for condonation from the Municipal Property Rates Act as they argued that their valuation is wrong. This has been dismissed by the MEC which implies that both Kumba and Khumani mine should pay their dues.

The table below excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Operating grants and transfers totals R27 million in the 2015/16 financial year and steadily increases to R28 million and R32 Million by 2016/17 and 2017/18 respectively.

Table 2 Operating Transfers and Grant Receipts

Description R thousand	**Current Year Adjusted budget 2014/15**	**Budget year 2015/16**	**Budget year +1 2016/17**	**Budget year +2 2017/18**
National Government	**24 579**	**25 453**	**27 084**	**30 402**
Equitable Share	22 045	22 923	24 527	27 669
Finance Management	1 600	1 600	1 625	1 700
System Improvement	934	930	957	1 033

TARIFFS

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and Sedibeng Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and water increases is immense and these tariffs are outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of Electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost

drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services and contributes substantially to essential non-trading services' capital outlay, i.e. community services, public safety, libraries, etc. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the 2013/14 budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 20 per cent rebate will be granted on all state owned residential properties including schools;
- 50% will be granted to government hospitals and 25% to private hospitals
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- 100 per cent rebate will be granted to churches in terms of the rates Policy;
- 100 per cent rebate will be granted to public service infrastructure such as roads and rail ways;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 20 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.

- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2015/16 financial year based on a 6 per cent increase from 1 July 2015 is contained below:

Table 3 Comparison of proposed rates to be levied for the 2015/16 financial year

Category	Current Tariff (1 July 2014)	Proposed tariff (from 1 July 2015)
Properties	**C**	**C**
Residential	0.008490	0.008999
Industrial	0.014856	0.015748
Business and commercial	0.016970	0.017998
Agricultural	0.000680	0.000720
State Owned	0.008490	0.008999
Education	0.008490	0.008999
Mining	0.016979	0.017998

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with Electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2015.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Sedibeng Water has increased its bulk tariffs with 8 per cent from 1 July 2015, which increase contributes to approximately 48 per cent of the Municipality's water input cost.

Sedibeng Water has undertaken a critical assessment of its capital infrastructure requirements. The assessment indicates that Sedibeng Water's current infrastructure is unlikely to sustain its long-term ability to supply water and they had no other choice but to enter capital markets to raise R1 billion for infrastructure upgrades, hence the significant increase in the bulk cost of water.

A tariff increase of 6 per cent from 1 July 2015 for water is proposed. This is based on input cost assumptions of 8 per cent increase in the cost of bulk water, the cost of other inputs increasing by 6 per cent and a surplus generated on the water service of a minimum 15 per cent. A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 4 Proposed Water Tariffs

A dual system, for the supply of potable water (indoor) and untreated or outdoor water exist in Kathu, as a result we have a twofold approach to charges in the step tariff structure below:

CATEGORY	CURRENT TARIFFS 2014/15	PROPOSED TARIFFS 2015/16
	Rand per kℓ	Rand per kℓ
Portable		
(i) 001 to 00006 kℓ per 30-day period	8.11	8.60
(iii) 007 to 00012kℓ per 30-day period	9.69	10.27
(iv) 013 to 00035kℓ per 30-day period	12.91	13.68
(v) 036 to 99999kℓ per 30-day period	15.34	16.25
RAW/UNTREATED		
(i) 001 to 00200 kℓ per 30-day period	4.97	5.27
(ii) 201 to 00300kℓ per 30-day period	6.07	6.43
(iii) 301 to 00400kℓ per 30-day period	9.67	10.25
(iv) 401 to 99999kℓ per 30-day period	13.45	14.26

The tariff structure of the 2014/15 financial year has not been changed. The tariff structure is designed to charge higher levels of consumption a higher rate, steadily increasing to a rate of R16.25 per kilo liter for consumption in excess of 36kℓ per 30 day period.

1.4.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk Electricity pricing structure. A 14.24 per cent increase in the Eskom bulk Electricity tariff to municipalities will be effective from 1 July 2015.

Considering the Eskom increases, the consumer tariff had to be increased by 12.20 per cent to offset the additional bulk purchase cost from 1 July 2015. Furthermore, it should be noted that given the magnitude of the tariff increase that are higher than CPI, it is expected to depress growth in Electricity consumption, which will have a negative impact on the municipality's revenue from Electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge. The following table shows the increases of electricity tariffs for domestic customers:

Domestic Tariffs (IBTs)	2013/14	*Tariff Increase*	2014/15		2015/16	
Prepaid Meters	**C/kWh**	*%*	**C/kWh**	*%*	**C/kWh**	R/kWh
Block 1 (0-50KWh)	70.00	7.39	74.00	6.30	78.66	
Block 2 (51-350KWh)	87.00	7.39	93.00	7.30	99.78	
Block 3 (351-600KWh)	117.00	7.39	126.00	12.20	141.00	
Block 4 (>600KWh)	138.00	7.39	148.00	12.20	166.00	
Conventional Meters						
Block 1 (0-50KWh)	79.00	7.39	85.00	-0.98	83.34	
Block 2 (51-350KWh)	100.00	7.39	107.00	-1.00	106.50	
Block 3 (351-600KWh)	126.00	7.39	135.00	3.76	140.00	
Block 4 (>600KWh)	138.00	7.39	148.00	9.46	162.00	
Basic Charge R/kWh						105.00

It should further be noted that we are implementing a stepped tariff structure for electricity. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). .

The inadequate Electricity bulk capacity and the impact on service delivery and development remains a challenge for the Municipality. Most of the suburbs and inner Municipality reticulation network was designed or strengthened in the early 1980's with an expected 20-25 year life-expectancy. The upgrading of the Municipality's Electricity network has therefore become a strategic priority, especially the substations and transmission lines.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

Owing to the high increases in Eskom's bulk tariffs, an electricity bulk services contribution policy as a strategy for funding of the infrastructure has been approved in the previous financial year to spread the burden over the life span of the assets. As part of the 2015/16 medium-term capital programme, funding has been allocated to Electricity infrastructure but these funding levels will require further investigation as part of the next budget cycle in an attempt to source more funding to ensure this risk is mitigated.

1.4.4 Sanitation and Impact of Tariff Increases

A tariff increase of 6 per cent for sanitation from 1 July 2015 is proposed. This is based on the input cost assumptions of 35 percent related to water. It should be noted that Electricity costs contributes approximately 20 per cent of waste water treatment input costs, therefore higher electricity increase has a direct impact on the sanitation tariffs. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (100 per cent of 6 kℓ water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R15 million for the 2015/16 financial year.

The following table compares the current and proposed tariffs:

Table 5 Comparison between current sanitation charges and increases

CATEGORY	CURRENT TARIFF PER kℓ	PROPOSED TARIFF PER kℓ
	R	R
	2014/15	2015/16
Sewer	4.34	4.60
Basic charge	67.32	71.36
Availability charge (empty erven with services)	289.28	306.64
Availability charge (erwen with a structure)	58.43	61.94
Vacuum tank – 5000 litre/or part therof: Non Resident	255.99	271.35
Connection charges (new erven)	1 023.35	1 084.75
Disposal of sewer at WWTW/10 000l	1 121.47	1 188.76
Sanitation charge per kl	2.65	2.81

1.4.5 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models, i.e nearer land fill and cost effective routes, outsourcing, etc. The outcomes of this investigation will be incorporated into the next planning cycle.

A 6 per cent increase in the waste removal tariff is proposed from 1 July 2015. Higher increases will not be justifiable now, owing to outstanding investigation that will guide a cost reflective and most viable model.
The following table compares current and proposed amounts payable from 1 July 2015:

Table 6 Comparison between current waste removal fees and increases

	Current Tariffs 2014/15 R per Month	**Proposed Tariffs 2015/16 R per month**
Garden Refuse (Load)	174.53	185.00
Removal of trees (Load)	413.15	437.94
Building waste (load)	700.92	742.98
Incineration of documents –Consignment	419.39	444.55
Household refuse (1Xweekly)	113.06	119.84
Business refuse (only food premises 3 x weekly)	231.63	245.53
General business refuse (2xweekly)	185.30	196.42
Pensioners – Refuse	76.37	80.80

Private developers refuse removal will be discounted by 40% where they collect and dump the waste to the waste disposal site provided they applied in writing and approval was granted. There are also new tariffs on waste minimization and recycling contained in the bound tariff structure.

1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2015/16 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherences to the principle of no project plan *no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

Table 4 Summary of operating expenditure by type

NC453 Gamagara - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure By Type											
Employee related costs	2	56 022	67 488	83 936	110 755	110 918	110 918	110 918	146 261	155 256	164 339
Remuneration of councillors		2 205	2 368	2 637	2 890	2 890	2 890	2 890	3 208	3 384	3 564
Debt impairment	3	1 829	6 849	9 724	6 849	6 849	6 849	6 849	7 246	7 644	8 049
Depreciation & asset impairment	2	20 285	52 854	54 720	53 820	54 839	54 839	54 839	58 019	61 210	64 455
Finance charges		4 760	5 234	3 984	3 774	3 774	3 774	3 774	5 440	5 739	6 043
Bulk purchases	2	57 896	69 794	82 149	111 221	111 221	111 221	111 221	124 019	130 840	137 775
Other materials	8	–	–	–	–	–			–	–	–
Contracted services		506	4 660	4 901	6 662	6 662	6 662	6 662	25 591	26 999	28 429
Transfers and grants		–	13 063	9 379	–	–	–	–	6 901	7 223	7 633
Other expenditure	4, 5	28 498	24 097	34 396	71 324	74 115	74 115	74 115	90 304	92 370	100 563
Loss on disposal of PPE		1 322		525	–	–					
Total Expenditure		173 323	246 407	286 353	367 295	371 267	371 267	371 267	466 989	490 667	520 850
Surplus/(Deficit)		(15 051)	(23 957)	44 854	267 414	105 309	105 309	105 309	204 151	217 260	210 159

The budgeted allocation for employee related costs for the 2015/16 financial year totals R146 million, which equals 31 per cent of the total operating expenditure.

The *Salary and Wage Collective Agreement* for the period 1 July 2012 to 30 June 2015 has come to an end. SALGA issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase:

- 2015/16 Financial year – 4.4 per cent (inflation linked)
- 2016/17 and 2017/18 Financial years – inflation related increase plus 0.25 per cent.

As negotiations are still underway, municipalities are advised to use the above proposed guidelines in preparing their 2015/16 budgets [NT. Circular 75]

The gazette for 2015 on the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998) was recently released and indicated an increase of 5 percent on the remuneration of councilors and this proclamation has been taken into account in compiling the Municipality's final budget.

The provision of debt impairment was determined based on an annual collection rate of 95 per cent and the Debt Write-off Policy of the Municipality. For the 2015/16 financial year this amount equates to R7.2 million. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R58 million for the 2015/16 financial year and equates to 12 per cent of the total operating expenditure.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1.2 per cent of operating expenditure excluding annual redemption for 2015/16.

Bulk purchases are directly informed by the purchase of Electricity from Eskom and water from Sedibeng Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials and expenditure comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. Other expenditure comprises of various line items relating to the daily operations of the municipality. For 2015/16 the appropriation against this group of expenditure has grown by 17.9 per cent (R16 million) compared to the 2014/15 adjustment budget.

1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2015/16 budget and MTREF provide for extensive growth in the area of asset maintenance. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 3 000 or more indigent households during the 2015/16 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 5 2015/16 Medium-term capital budget per vote

NC453 Gamagara - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - Executive & Council		–	–	–	–	–	–	–	–	–	–
Vote 2 - Budget & Treasury Office		–	–	–	–	–	–	–	–	–	–
Vote 3 - Corporate Services		–	–	–	–	–	–	–	1 200	2 500	–
Vote 4 - Community Services		–	–	29 831	3 550	3 550	3 550	3 550	12 550	10 000	9 500
Vote 5 - Infrastructure Services		35 107	24 298	71 537	197 953	53 583	53 583	53 583	129 289	256 921	268 264
Vote 6 - Shared Services		–	–	431	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	**35 107**	**24 298**	**101 798**	**201 503**	**57 133**	**57 133**	**57 133**	**143 039**	**269 421**	**277 764**
Single-year expenditure *to be appropriated*	2										
Vote 1 - Executive & Council		539	154	325	361	361	361	361	1 342	–	–
Vote 2 - Budget & Treasury Office		24	3 526	182	2 212	237	237	237	1 239	–	–
Vote 3 - Corporate Services		1 415	–	–	11 059	8 259	8 259	8 259	9 270	–	–
Vote 4 - Community Services		2 277	43 023	–	41 672	20 513	20 513	20 513	17 439	–	–
Vote 5 - Infrastructure Services		–	–	–	94 177	87 983	87 983	87 983	175 784	–	–
Vote 6 - Shared Services		–	–	–	1 369	705	705	705	2 049	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		**4 255**	**46 702**	**507**	**150 849**	**118 058**	**118 058**	**118 058**	**207 122**	**–**	**–**
Total Capital Expenditure - Vote		**39 362**	**71 000**	**102 305**	**352 352**	**175 191**	**175 191**	**175 191**	**350 161**	**269 421**	**277 764**

For 2015/16 an amount of R305 million has been appropriated for the development of infrastructure which represents 87 per cent of the total capital budget. Community Services is the second biggest capital appropriation with an allocation of R29 million or 9 percent of the total capital budget. The total capital expenditure for 2015/16 amounts to R350 million and decreases to R269 million in 2016/17 and increases to R277 million in 2017/18. Please refer to table A5 and supporting table SA36 for the detail of the capital budget.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the Chairperson of the Finance portfolio committee.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council as required the IDP and budget time schedule on 30 August 2014.

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the second review of the IDP as the first was adopted by Council in May 2014. It started in September 2014 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2015/16 MTREF in August.

The Municipality's IDP is the principal strategic planning instrument, which directly guides and informs the planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the second revision cycle includes the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2015/16 MTREF, based on the approved 2014/15 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2015/16 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2014/15 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2015/16 MTRE, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54, 70 and 72 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The final 2015/16 MTREF as tabled today before Council on 28 May 2015 was advertised for community input and consultation and was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries.
All documents in the appropriate format (electronic and printed) were provided to Provincial and National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

The community consultation processes were conducted in all wards and the community inputs as listed in the Intergrated Development Plan were considered during the finalisation of the budget.

2.2 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.2.1 Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2015/16 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 95 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the Municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

2.2.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.2.3 Supply Chain Management Policy

The Supply Chain Management Policy was adopted by Council. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.2.4 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations. The Budget and Virement Policy was approved by Council

2.2.5 Cash Management and Investment Policy

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.

2.2.6 Tariff Policies

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

2.2.7 Property Rates Policy

The property rates policy aims to regulate the levying of property rates and the categorisation of property owners. It further aims to regulate who and how rebated and exemptions will be provided to property owners. Since there is a new valuation roll to be implemented in July 2014 the policy needs to be reviewed to address current trends in the municipality.

2.3 Municipal manager's quality certificate

I, TC Itumeleng, Municipal Manager of Gamagara, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name TC Itumeleng

Municipal manager of Gamagara (NC453)

Signature____

Date 28 May 2015

ANNEXURE A.

Services Tariffs 2015/16

ANNEXURE B.

Bulk services policy